



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2009 Biennium

Bill #	SB0151	Title:	Mandatory hearing aid coverage in health insurance
Primary Sponsor:	Ryan, Don	Status:	As Introduced

- | | | |
|---|---|--|
| <input type="checkbox"/> Significant Local Gov Impact | <input type="checkbox"/> Needs to be included in HB 2 | <input checked="" type="checkbox"/> Technical Concerns |
| <input type="checkbox"/> Included in the Executive Budget | <input checked="" type="checkbox"/> Significant Long-Term Impacts | <input type="checkbox"/> Dedicated Revenue Form Attached |

FISCAL SUMMARY

	<u>FY 2008 Difference</u>	<u>FY 2009 Difference</u>	<u>FY 2010 Difference</u>	<u>FY 2011 Difference</u>
Expenditures:				
Other	\$1,659,000	\$1,659,000	\$1,659,000	\$1,659,000
Revenue:				
Other	\$1,659,000	\$1,659,000	\$1,659,000	\$1,659,000
Net Impact-General Fund Balance	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

Description of fiscal Impact:

This bill provides for mandatory hearing aid coverage subject to a dollar and time limitation and requires additional coverage for hearing aid services in health insurance benefits (as an optional rider for purchase). Hearing aids are also added as a benefit under Medicaid.

FISCAL ANALYSIS

Assumptions:

Department of Administration

1. The State Employee Health Plan currently covers 35,000 employees, retirees, Legislators, and their dependents.
2. Annual age-adjusted rates of hearing impairment in the demographic population most resembling the State Employee Health Plan population were reported to range from 11.0% to 12.7%. (source: The National Health Interview Survey)
3. If hearing impaired individuals within the population all utilized the \$400 per ear (every three year) hearing aid benefit, the cost to the State Employee Health Plan would be: $[35,000 \times 11\% \text{ prevalence} \times (\$400 \times 2)] / 3$ per year or \$1,026,667. At 12.7% prevalence, the cost would be: $[35,000 \times 12.7\% \text{ prevalence} \times (\$400 \times 2)] / 3$ per year or \$1,185,333. The average of these is \$1,106,000 per year.
4. A cost of \$1,106,000 per year would equate to approximately \$2.60 per member per month.

5. Section 1 (4) allows for the purchase of additional hearing aid coverage as an optional rider. The State would provide this as a voluntary benefit which would be paid for by the plan member.
6. Administrative expenses for adding this benefit would be absorbed within the existing program. Only the new cost of the benefit is shown.

Montana University System

7. The Montana University Health Plan currently covers 17,500 employees, retirees, and their dependents.
8. Annual age-adjusted rates of hearing impairment in the demographic population most resembling the Montana University Health Plan population were reported to range from 11.0% to 12.7%. (source: The National Health Interview Survey)
9. If hearing impaired individuals within the population all utilized the \$400 per ear (every three year) hearing aid benefit, the cost to the Montana University Health Plan would be: $[17,500 \times 11\% \text{ prevalence} \times (\$400 \times 2)] / 3$ per year or \$513,333. At 12.7% prevalence, the cost would be: $[17,500 \times 12.7\% \text{ prevalence} \times (\$400 \times 2)] / 3$ per year or \$592,667. The average of these is \$553,000 per year.
10. A cost of \$553,000 per year would equate to approximately \$2.60 per member per month.
11. Section 1 (4) allows for the purchase of additional hearing aid coverage as an optional rider. The State would provide this as a voluntary benefit which would be paid for by the plan member.
12. Administrative expenses for adding this benefit would be absorbed within the existing program. Only the new cost of the benefit is shown.

Department of Public Health and Human Services

13. These services are currently provided to children and adults eligible for Medicaid

	<u>FY 2008 Difference</u>	<u>FY 2009 Difference</u>	<u>FY 2010 Difference</u>	<u>FY 2011 Difference</u>
<u>Fiscal Impact:</u>				
Department of Administration				
<u>Expenditures:</u>				
Benefits	\$1,106,000	\$1,106,000	\$1,106,000	\$1,106,000
<u>Funding of Expenditures:</u>				
Other	\$1,106,000	\$1,106,000	\$1,106,000	\$1,106,000
<u>Revenues:</u>				
Other	\$1,106,000	\$1,106,000	\$1,106,000	\$1,106,000
 Montana University System				
<u>Expenditures:</u>				
Benefits	\$553,000	\$553,000	\$553,000	\$553,000
<u>Funding of Expenditures:</u>				
Other	\$553,000	\$553,000	\$553,000	\$553,000
<u>Revenues:</u>				
Other	\$553,000	\$553,000	\$553,000	\$553,000
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>				
Other	\$0	\$0	\$0	\$0

Long-Range Impacts:**Department of Administration**

1. The State Employee Health Plan funding is proprietary funding (HB576). It is funded through the state share contribution which is appropriated in the pay plan bill. The impact to general fund, state special revenue, and federal revenue is the net impact that this increase would have on the need for additional state share contribution (during the 2011 biennium) and any impact on out-of-pocket premium increases to plan participants beyond calendar year 2007.

Montana University System

2. The Montana University Health Plan funding is proprietary funding (HB576). It is funded through the state share contribution which is appropriated in the pay plan bill. The impact to current unrestricted funding is the net impact that this increase would have on the need for additional state share contribution (during the 2011 biennium) and any impact on out-of-pocket premium increases to plan participants beyond calendar year 2007.

Technical Notes:**Department of Administration and Montana University System**

1. Section 1 (4) provides for additional hearing aid coverage to be purchased as an optional rider. It is unclear what this coverage includes. Of question for clarification is whether the bill is intended to include repair and replacement of hearing aids, more expensive aids, or other requirements.

Department of Public Health and Human Services

2. In Section 5, item (1), hearing aids fitted and dispensed by an audiologist licensed by the state. Coverage is limited to \$400 for a hearing aid for each ear every 3 years. This section refers to 53-4-1005, MCA, which is related to the Children's Health Insurance Program (CHIP). This program provides health care for children, and is administered by the Department of Public Health and Human Services (DPHHS) through self-administration. This allows the program to purchase services through a network, and the prices paid to providers are based on the consideration of the third party network. If the coverage is limited to \$400, then this may result in the child not obtaining services. The CHIP payment is considered as the full payment for the child under the CHIP, and the program cannot pay more than allowed by the network.

Sponsor's Initials

Date

Budget Director's Initials

Date